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### Research Announcement

#### The Core in a Normal Form Game

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#### Abstract

Due to the externalities, in normal form games a deviation changes the payoff of all players inducing a retaliation by the remaining or residual players. The stability of an outcome depends on the expectations potential deviators have about this reaction, but so far no satisfactory theory has been provided. The present paper continues the work of Tulkens and Chander (1997) where deviators consider residual equilibria, but we allow coalitions to form, moreover introduce consistency between the residual solution and the solution of the original game. Optimistic and pessimistic considerations produce a pair of cores. These cores are compared to some existing cooperative concepts such as the g- and r-cores and the equilibrium binding agreements. In our final section we discuss the predominance of the grand coalition and suggest a generalisation of the normal form where such a precedence can be removed.

Completed draft available on request from:

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